

# Sahuarita Water Company



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June 6, 2011

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

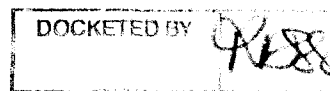
W-03718A-09-0359

Mr. Steve Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 W Washington St.  
Phoenix, AZ 85007

Arizona Corporation Commission  
**DOCKETED**

JUN 13 2011

RE: New Fee Established By CAGRD



Dear Mr. Olea,

Pursuant to the CAGRD Pass-through adjuster Condition #8 of Decision No. 72177, the Sahuarita Water Company, LLC (Company) is notifying staff that the CAGRD has been authorized by the governing CAP Board at the recent June 2, 2011 CAP board meeting to begin collecting a new fee titled the Annual Membership Dues (AMD). This fee was not part of the calculation of the CAGRD fees as stated in Decision No. 72204 (B)(3) when the pass through adjuster was set by the Commission. This new fee has become an additional element of the annual CAGRD fee.

For your review the Company is submitting by exhibit(s), the CAGRD Rate Schedule, the CAP Board Agenda of June 2, 2011 and the May 27, 2011 CAGRD letter addressed to you. The Company respectfully requests staff consider the new CAGRD fee and provide the necessary documents to the Commission for their approval.

By way of history, a meeting was held on May 5, 2011 attended by members of the CAGRD staff, ACC staff, Johnson Utilities and the Company where the CAGRD staff presented the AMD policy and the methodology in which it is calculated. On May 27, 2011, CAGRD, in a letter to you, addressed the meeting discussions and provided the state statute authorizing the collection of the AMD per your request.

In addition, pursuant to Decision No. 72177, Condition #5 of the CAGRD Pass-through adjuster, in a separate document, the Company has submitted to Docket Control the final rate schedule for the CAGRD fees, now firm for the years 2011\_2012. These rates were also approved by the CAP Board of Directors at their June 2, 2011 meeting.

**Corporate Office:** 4549 E Ft Lowell Rd. Tucson, AZ 85712 Ph. (520) 299-8766 Fax: (520) 529-3137

**Field Office:** 725 W Via Rancho Sahuarita Rd., P.O. Box 1520, Sahuarita, AZ 85629-0530  
Ph. (520) 399-1105 Fax (520) 399-1095

Should you require any further information, please contact me.

Respectfully,



Mark J Seamans, President  
Sahuarita Water Company, LLC

Exhibits

1. 2011\_2012 CAGR Rate Schedule
2. June 2, 2011 CAP Board Agenda
3. May 27, 2011 CAGR Letter to Steve Olea.

Cc: Kimberly D Battista, Chief of Compliance & Enforcement, ACC  
Robert M. Sharpe, Sharpe and Associates, Inc  
Lawrence V Robertson, Atty  
File

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**CENTRAL ARIZONA**  
**GROUNDWATER REPLENISHMENT DISTRICT**  
**FINAL 2010/11 AND 2011/12 RATE SCHEDULE UPDATE**

**CENTRAL ARIZONA GROUNDWATER REPLENISHMENT DISTRICT ASSESSMENT RATES**

Units = \$/acre-foot

	Firm			Advisory			
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b><u>Phoenix Active Management Area</u></b>							
Water & Replenishment Component <sup>1</sup>	\$ 143	\$ 140	\$ 140	\$ 140	\$ 144	\$ 157	\$ 156
Administrative Component <sup>2</sup>	33	38	42	44	44	44	44
Infrastructure & Water Rights Component <sup>3</sup>	101	131	170	204	245	294	353
Replenishment Reserve Charge <sup>4</sup>	41	47	51	54	54	55	55
Total Assessment Rate (\$/AF)	\$ 318	\$ 356	\$ 403	\$ 442	\$ 487	\$ 550	\$ 608
<b><u>Pinal Active Management Area</u></b>							
Water & Replenishment Component <sup>1</sup>	\$ 107	\$ 110	\$ 116	\$ 120	\$ 121	\$ 133	\$ 128
Administrative Component <sup>2</sup>	33	38	42	44	44	44	44
Infrastructure & Water Rights Component <sup>3</sup>	101	131	170	204	245	294	353
Replenishment Reserve Charge <sup>4</sup>	38	45	53	61	60	61	61
Total Assessment Rate (\$/AF)	\$ 279	\$ 324	\$ 381	\$ 429	\$ 470	\$ 532	\$ 586
<b><u>Tucson Active Management Area</u></b>							
Water & Replenishment Component <sup>1</sup>	\$ 153	\$ 155	\$ 155	\$ 161	\$ 164	\$ 166	\$ 163
Administrative Component <sup>2</sup>	33	38	42	44	44	44	44
Infrastructure & Water Rights Component <sup>3</sup>	101	131	170	204	245	294	353
Replenishment Reserve Charge <sup>4</sup>	46	53	60	65	61	59	57
Total Assessment Rate (\$/AF)	\$ 333	\$ 377	\$ 427	\$ 474	\$ 514	\$ 563	\$ 617
<b><u>Contract Replenishment Tax - Scottsdale <sup>5</sup></u></b>							
Cost of Water	\$ 126	\$ 133	\$ 137	\$ 137	\$ 141	\$ 139	\$ 142
Cost of Transportation	0	0	0	0	0	0	0
Cost of Replenishment	0	0	0	0	0	0	0
Administrative Component <sup>2</sup>	33	38	42	44	44	44	44
Total Tax Rate (\$/AF)	\$ 159	\$ 171	\$ 179	\$ 181	\$ 185	\$ 183	\$ 186

**ENROLLMENT & ACTIVATION FEES**

Units = \$/Housing Unit

<b>Enrollment Fee <sup>6</sup></b>	\$ 83	\$ 107	\$ 138	\$ 165	\$ 198	\$ 237	\$ 284
<b>Activation Fee <sup>6</sup></b>	\$ 81	\$ 105	\$ 136	\$ 163	\$ 196	\$ 235	\$ 282

**ANNUAL MEMBERSHIP DUES**

**Member Land Annual Membership Dues (\$/Lot) <sup>7</sup>**

Phoenix Active Management Area	--	--	\$ 6.88	\$ 8.80	TBD	TBD	TBD
Pinal Active Management Area	--	--	\$ 0.90	\$ 1.15	TBD	TBD	TBD
Tucson Active Management Area	--	--	\$ 4.34	\$ 5.55	TBD	TBD	TBD

**Member Service Area Annual Membership Dues (\$/AF) <sup>7</sup>**

--	--	\$10.35	\$13.32	TBD	TBD	TBD
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**CENTRAL ARIZONA  
GROUNDWATER REPLENISHMENT DISTRICT  
FINAL 2010/11 AND 2011/12 RATE SCHEDULE UPDATE**

**NOTES:**

- 1 The Water & Replenishment Component is designed to cover the projected annual costs of satisfying replenishment obligations, including the purchase of long-term storage credits (LTSC) and the purchase and replenishment of water and effluent. The total volume of water to be purchased and replenished includes a sufficient volume to offset losses incurred during the replenishment process (generally 1% to 2.5%). For the Phoenix Active Management Area (AMA), replenishment will be accomplished at direct underground storage facilities (USFs) and groundwater savings facilities (GSFs) as well as through the use of LTSCs purchased from others. For the Pinal AMA, replenishment will be accomplished at GSFs. For the Tucson AMA, replenishment will be accomplished at USFs as well as through the use of LTSCs purchased from others.
- 2 The Administrative Component is designed to cover all CAGRD administrative costs. A \$2/AF rate has been added to this component to help fund the CAGRD conservation program.
- 3 The Infrastructure & Water Rights Component is designed to generate funds required for the acquisition, lease or exchange of water or water rights and development of infrastructure necessary for CAGRD to perform its replenishment
- 4 The Replenishment Reserve Charge is designed to cover costs associated with establishing a replenishment reserve of LTSCs as required by statutes. Water will be stored at a combination of USFs and GSFs in the Phoenix and Tucson AMAs. LTSCs purchased from CAP and others will also be used to help establish the replenishment reserve in the Phoenix and Tucson AMAs. In the Pinal AMA, LTSCs will be purchased from CAP in accordance with Board policy adopted on October 6, 2005. This charge will be levied as provided in ARS Sections 48-3774.01 and 48-3780.01.
- 5 The components of the Contract Replenishment Tax - Scottsdale reflect the provisions in the Water Availability Status Contract to Replenish Groundwater between CAWCD and Scottsdale. The rates reflect the assumption that Non-Subcontract CAP water will be available to meet the associated contract replenishment obligations.
- 6 The Enrollment Fee and Activation Fee reflect the fees established pursuant to the CAGRD Enrollment Fee and Activation Fee Policy adopted by the Board on May 1, 2008. A \$2 per housing unit is included in the Enrollment Fee to help fund CAGRD's conservation program.
- 7 The Annual Membership Dues for Member Lands and Member Service Areas reflect the fees established pursuant to ARS Sections 48-3772.A.8. and 48-3779 as well as the Policy on Collection of CAGRD Annual Membership Dues adopted by the Board on April 7, 2011.

Print | Show Agenda

EXHIBIT #2

Board

June 2, 2011

Location: Central Arizona Project

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CENTRAL ARIZONA PROJECT)**

**Board of Directors**

**ACTIONS TAKEN**

**June 2, 2011 – 10:00 a.m.**

**Central Arizona Project**

**23636 North Seventh Street**

**Phoenix, Arizona**

**Board Room**

Board members present were President Pam Pickard, Maricopa County; Lisa Atkins, Maricopa County; Gayle Burns, Maricopa County; Tim Bray, Maricopa County; Gayle Burns, Maricopa County; L.M. "Pat" Jacobs, IV, Pima County Terri Kibler, Pinal County; Mark Lewis, Maricopa County; Jean McGrath, Maricopa County; Sharon Megdal, Pima County Cynthia Moulton, Maricopa County; Warren Tenney, Pima County; and Janie Thom, Maricopa County

**Consideration of Action to Approve Items on the Consent Agenda**

- a. Approved minutes of the May 5, 2011, Regular Meeting.
- b. Approved the award of a contract to Aquatic Environments, Inc., to supply and operate a Weed Harvester Boat and provide support services as needed to remove aquatic weeds from the intake channel at Mark Wilmer Pumping Plant starting July 2011 through October 2011, and authorized the General Manager to execute an agreement up to \$280,000.
- c. Approved the acquisition of the 6.7 acre parcel located at 5110 S. Spencer Ave., Tucson, Pima County, Arizona between Wyoming Street and Utah Street and authorized the General Manager or his designee, to execute an agreement up to \$90,600, plus an additional \$9,600 (10%) for contingencies (totaling \$100,200).
- d. Approved the Final 2011-2012 Rate Schedule Update (attached).
- e. Approved the CAGR Final 2010/11 and 2011/12 Rate Schedule Update (attached).

**Discussion and Consideration of Action Regarding CAWCD Ad Valorem Taxes for the 2011-12 Tax Year**

- a. Set the ad valorem tax rate for CAWCD at six cents (\$0.06) per one hundred dollars (\$100) of assessed valuation for tax year 2011-2012.
- b. Set the Water Storage ad valorem tax rate at four cents (\$0.04) per one hundred dollars (\$100) of assessed valuation for tax year 2011-2012.

c. Adopted a resolution determining that all of the tax levied for Water Storage in tax year 2011-12 is required for CAP annual operations, maintenance and replacement costs and should be deposited in a designated CAWCD account with the Arizona State Treasurer.

**Consideration of Action to Approve a Balancing Authority Agreement Between Western Area Power Administration and CAWCD**

Approved the Operating Agreement (Balancing Authority) with Western Area Power Administration and authorized the President of the Board of Directors to sign the Operating Agreement (Balancing Authority) in substantially the form in which it was presented at today's meeting

**Consideration of Action to Authorize CAWCD's Participation in the Joint Action Authority of Arizona through an Intergovernmental Agreement**

Approved the form of written resolution presented at this meeting approving CAWCD's participation in the Joint Action Authority of Arizona by agreement to the provisions of the Joint Action Authority of Arizona Intergovernmental Agreement and execution of New Member Agreement No. 1, and appointing CAWCD's representatives to the JAAAz governing board.

**Consideration of Action to Approve Additional Spending Authority in the CAWCD 2011 Budget**

Approved Additional Spending Authority in the CAWCD 2011 Capital Budget in the Amount of \$3.6 million for the APS Palo Verde-Morgan (T-9) Transmission Project.

**Consideration of Action to Approve a Line Item Waiver in the CAWCD 2011 Budget**

Approved a Line Item Waiver in the CAWCD 2011 General Fund Operating Budget in the Amount of \$1.5 million for Transmission Charges.



P.O. Box 43020 • Phoenix, AZ 85080-3020  
23636 North Seventh Street • Phoenix, AZ 85024  
623-869-2333 • [www.cap-az.com](http://www.cap-az.com)

EXHIBIT #3

May 27, 2011

Mr. Steve Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

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Subject: CAGRD Annual Membership Dues

Dear Mr. Olea:

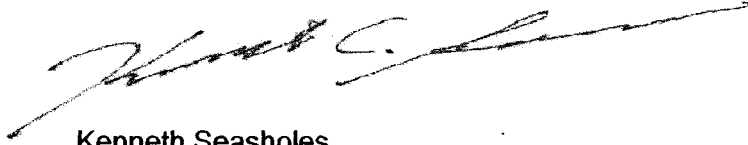
I'm writing this letter as a follow-up to our May 5, 2011, meeting on the new Central Arizona Groundwater Replenishment District (CAGRD) Annual Membership Dues (AMDs). In that meeting, we reviewed how AMDs were established and we discussed the need for Johnson Utilities and Sahuarita Water Company (both are CAGRD member service areas) to make filings with the ACC requesting that the AMDs be included in their CAGRD Fee Adjustor calculations for the upcoming year. We understand that these water providers are required to make those filings by August 25, 2011.

As we indicated in the meeting, the CAWCD Board of Directors has the authority (pursuant to A.R.S. § 48-3779) to collect AMDs from all members of the CAGRD each year beginning in 2011. On April 7, 2011, the Board adopted a Policy on Collection of CAGRD Annual Membership Dues (attached) that outlines the methodology and timing for AMD collection. On May 5, 2011, the Board adopted a preliminary rate schedule (also attached) that would establish this year's AMD rate for member service areas at \$10.35 per acre-foot of long-term reliance on CAGRD. The Board is scheduled to take action on a final rate schedule on June 2, 2011. The final rate schedule that staff is asking the Board to consider consists of the same rates as the preliminary schedule. Upon adoption of a final rate schedule, CAGRD staff will send an invoice to each member service area. The invoice will identify the components of the service area replenishment tax, including the AMD amount, on separate line items. As required by statute, payment for the full invoice amount must be submitted to CAGRD by October 15, 2011.

In our meeting you also asked that we indicate what a water provider could do to reduce the amount of AMDs it must pay to CAGRD. A member service area may reduce its AMD by decreasing its long-term reliance on CAGRD replenishment. A water provider could do this by securing its own renewable water supplies for use instead of groundwater, or otherwise developing mechanisms for reducing groundwater use within its service area (i.e., conservation). Such activities would not only reduce the AMDs, but would also reduce the total service area replenishment taxes owed to the CAGRD.

I hope this provides the information you needed at this time. If you have questions or need additional information, please don't hesitate to contact me at 623-869-2476 or [kseasholes@cap-az.com](mailto:kseasholes@cap-az.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'Kenneth Seasholes', written in a cursive style.

Kenneth Seasholes  
Senior Policy Analyst  
Central Arizona Water Conservation District

**Attachments**

cc: **Mark Seamans, Sahuarita Water Company**  
**Brian Tompsett, Johnson Utilities**  
**Michael Pearce, Johnson Utilities**  
**Kim Grouse, CAWCD**



# Board Policy



**CAP**  
CENTRAL ARIZONA PROJECT

Approved by CAWCD Board

April 7, 2011

## **POLICY ON COLLECTION OF CAGRD ANNUAL MEMBERSHIP DUES**

Arizona Revised Statutes (ARS) provides CAWCD with the authority to charge Annual Membership Dues (AMDs) on all parcels of Central Arizona Groundwater Replenishment District (CAGRD) member lands and on all municipal providers having a CAGRD member service area, even if they are not yet reporting excess groundwater use. Revenues generated by the collection of AMDs must be used to pay costs associated with the acquisition, lease or exchange of water or water rights and development of infrastructure necessary for CAGRD to perform its replenishment obligations, including the payment of debt service expenses, and necessary reserves and coverage requirements, on bonds issued for replenishment purposes. Revenues generated by the collection of AMDs will not be used to pay the annual costs associated with delivery of water for replenishment purposes.

### **Policy Objective:**

The objective of this policy is to describe the general methodology that will be used in establishing AMDs. The policy will be applied in any year in which the CAWCD Board proposes to collect AMDs. Unless otherwise modified by the CAWCD Board, this policy shall be in effect through the 2014/2015 tax year, at which point the policy will be reviewed and revised as necessary to insure compliance with the next CAGRD Plan of Operation.

### **Methodology:**

Each year, the CAWCD Board of Directors shall decide if AMDs should be collected from CAGRD member lands and member service areas. In determining the total amount of revenues to be generated through the collection of AMDs in a year, CAWCD shall comply with ARS §48-3772.A.8. In determining the AMDs to be charged against each parcel of member land and against each member service area, CAWCD shall comply with the provisions in ARS §48-3779. While most aspects of the methodology that staff will use to implement collection of AMDs are specified in statute, the following describes the supporting data that must be generated to carry out the implementation.

### **Member Lands**

CAGRD Staff will maintain and publish a count of AMD-eligible lots (as defined in ARS §48-3779.E), based on data from plats and county parcel records, summed by Active Management Area.

#### Member Service Areas

CAGRD Staff will estimate the long-term replenishment obligation associated with 2015 current-and-committed demands for each Member Service Area (ARS §48-3779.D.2). That "planned annual service area obligation" will be determined based on the water provider's projected 2017 demand as indicated in the "Schedule AWS" data submitted to the Arizona Department of Water Resources (ADWR), less supplies available to the Member that are consistent with the management goal of the AMA in which the Member is located. The specific volumes of those supplies will be based upon information contained in each Member's current Designation Order, long-term storage account summary, ADWR Annual Reports and contracts for any additional permanent or long-term (100-year) renewable water supplies. CAGRD Staff may request additional information regarding the basis of demand projections and will consider renewable supplies not otherwise included in the Member's Designation of Assured Water Supply.

Staff will also calculate the reliance on the CAGRD in the Member's current Designation Order. Unless specifically identified, the volume shall be calculated based on the total groundwater, less the portion that is not subject to a replenishment requirement. That exempted portion shall include the calculated incidental recharge, groundwater allowance (divided by 100, [except Pinal AMA, as applicable]) and extinguishment credits (divided by 100, [except Pinal AMA, as applicable]). The Assured Water Supply exemption granted to groundwater remediation projects expires in 2025, and is therefore ineligible.

#### Process:

The process of establishing AMDs will generally coincide with the CAGRD rate-setting process, on a biennial schedule, with the primary rate-setting activity taking place in even years and an update, if required, in odd years. AMDs will be established only after being publicly announced and providing adequate time for public comment. The suggested calendar for establishing AMDs is shown below, and is applicable to both the primary AMD-setting process in even years and updates in odd years:

- 1) April – Staff includes proposed AMDs in the preliminary CAGRD rate schedule that is delivered to the CAGRD and Underground Storage Committee of the Board for study.
- 2) May – Board adopts the preliminary CAGRD rate package, including the proposed AMDs. Announcement is made through public notice, which also invites all interested parties to submit written comments.
- 3) May – Public comments are analyzed and reviewed by staff and a proposed final CAGRD rate schedule, including proposed AMDs, is disseminated to the Board and interested parties.
- 4) June – Board adopts the final CAGRD rate schedule, including AMDs.

#### Forward Announcement of AMDs –

CAGRD AMDs will be announced during each primary or update rate-setting process. Primary AMD rate schedules will be for three years, and updated AMD rate schedules, if required, will be for two years. The first year of the primary rate schedule will be considered "firm" pricing, subject to change only in emergency circumstances and if a change would be permitted under applicable contracts. The second year of the primary rate schedule will be considered "provisional," and will become firm unless updated by the Board prior to the commencement of the second year during the rate update process. The remaining year in the rate schedule is "advisory" for customer planning purposes, but subject to change in subsequent primary rate-setting or rate update processes. Rate updates affecting provisional or advisory rates may be made if there are material changes in assumptions made when these rates were originally published.